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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

Arizona Corporation Commission

DOCKETED

JUL 16 2010

DOCKETED BY

**APPLICATION OF MOUNT TIPTON
WATER CO., INC. FOR AN INCREASE
IN ITS WATER RATES**

Docket No. W-02105A-09-0522

**NOTICE OF FILING OF
REJOINDER TESTIMONY AND
POTENTIAL EXHIBITS**

Mt. Tipton Water Co., Inc. ("Company"), hereby gives notice that it is filing the
rejoinder testimony of the following witnesses:

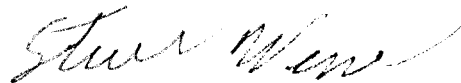
- Sonn Rowell (Attachment 1); and
- Michelle Monzillo (Attachment 2).

The rejoinder testimony of each of these witnesses is being submitted with this notice.

Potential exhibits are being submitted as exhibits to the testimonies identified above.

1 RESPECTFULLY SUBMITTED this 16th day of July, 2010.
2

3 **MOYES SELLERS & SIMS**

4 

5 Steve Wene

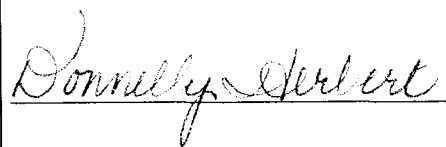
6 Attorneys for Mt. Tipton Water Company
7

8 Original and 13 copies of the foregoing
9 filed this 16th day of July, 2010, with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 Copy of the foregoing mailed this
15 16th day of July, 2010, to:

16 Kimberly Ruht
17 Legal Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 
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23
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25
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28

ATTACHMENT 1

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**
3
4

5 **COMMISSIONERS**

6 KRISTIN K. MAYES, CHAIRMAN

7 GARY PIERCE

8 PAUL NEWMAN

9 SANDRA D. KENNEDY

10 BOB STUMP

11 **APPLICATION OF MOUNT TIPTON**
12 **WATER CO., INC. FOR AN INCREASE**
13 **IN ITS WATER RATES**
14

Docket No. W-02105A-09-0522

REJOINDER TESTIMONY OF
SONN ROWELL

15
16 **Q-1 What is the purpose of your rejoinder testimony?**

17 **A-1** The purpose of my testimony is to respond to Staff's incorrect position that
18 Customer Security Deposits should be deducted from rate base.
19

20 **Q-2 Why do you believe Staff's position regarding Customer Security Deposits is**
21 **incorrect?**

22 **A-2** Customer Security Deposits are not included in the Company's rate base in the
23 first place, so the deduction is inappropriate.
24

25 **Q-3 Staff implies that the only reason the Company contends that Customer**
26 **Security Deposits should not be deducted from rate base is that the NARUC**
27
28

1 **Uniform System of Accounts ("USOA") does not mention Customer Security**
2 **Deposits. How do you respond?**

3
4 A-3 I disagree with this implied contention. First and foremost, as stated above,
5 Customer Security Deposits are not in any way included in the Company's rate base, so
6 the Company does not earn a return on them. I also pointed out that Customer Security
7 Deposits do not in any way fit the USOA's definitions of AIAC or CIAC. Therefore,
8 Customer Security Deposits should not be treated as if they were AIAC or CIAC as Staff
9 recommends.
10

11 **Q-4 Does the Company to earn a rate of return on Customer Security Deposits?**

12
13 A-4 No. These funds are Company liabilities and must be returned to customers with
14 6% interest. Although the Company can earn interest on Customer Security Deposits
15 held in a bank account, any interest earned will be offset by the requirement that the
16 Company pay 6% interest to its customers when the money is returned. At today's
17 interest rates, this is a money losing proposition.
18

19 **Q-5 Staff disagrees with your recommendation regarding the 6% interest the**
20 **Company pays on Customer Security Deposits, how do you respond?**

21
22 A-5 If Staff's adjustment No. 4 be enacted there should be consideration for the 6%
23 interest the Company must pay on the Customer Security Deposits. Staff simply does not
24 address the 6% interest the Company is required to pay at all in its Surrebuttal Testimony.
25

26 **Q-6 Please summarize your position on the Customer Security Deposit issue.**

27 A-6 Deducting Customer Security Deposits from rate base is improper because such
28 funds are not included in rate base in the first place and the Company must return

1 Customer Security Deposits to its customers with interest. This prevents the Company
2 from earning a return on Customer Security Deposits. If the Commission decides to
3 adopt Staff's recommendation, however, then the revenue requirement impact should be
4 adjusted to reflect the 6% interest the Company pays to its customers.
5

6 **Q-7 Does that conclude your testimony?**
7

8 **A-7 Yes.**
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ATTACHMENT 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 **COMMISSIONERS**

4 KRISTIN K. MAYES, CHAIRMAN

5 GARY PIERCE

6 PAUL NEWMAN

7 SANDRA D. KENNEDY

8 BOB STUMP

9 **APPLICATION OF MOUNT TIPTON**
10 **WATER CO., INC. FOR AN INCREASE**
11 **IN ITS WATER RATES**

Docket No. W-02105A-09-0522

REJOINDER TESTIMONY OF
MICHELLE MONZILLO

12
13
14 **Q-1 What is the purpose of your rejoinder testimony?**

15 **A-1 The purpose of my testimony is to address two Staff positions: (1) the rate increase**
16 **should not become effective until the Company has demonstrated its water loss is less**
17 **than 10% and is in full compliance with Decision Nos. 67162 and 70837; and (2) the**
18 **disallowance of \$4,722 of purchase power expense for water loss in excess of 10%. The**
19 **Company disagrees with these recommendations.**

20
21
22 **Q-2 Please explain why you believe the Company has demonstrated that its water**
23 **loss is less than 10%.**

24 **A-2 As shown in Exhibit 1, the Company's water loss from January through June of**
25 **this year is 9.30%. In the last quarter (April 1 to June 30), the water loss was 7.8%. This**
26 **was achieved even though an enormous line break occurred in early May. Also, I**
27 **disagree with Staff's implication that the Company should be deemed out of compliance**
28

1 until it demonstrates its water loss is less than 10% for a year. This is not required under
2 Decision No. 67162.

3
4 **Q-3 In your earlier testimony, you stated that during the first quarter of 2010, the**
5 **Company's water loss was 9.2%, yet Staff disagreed that the Company's water loss**
6 **for the quarter was under 10%. Can you explain this discrepancy?**

7
8 **A-3** Yes. Previously, the Company had been calculating quarterly water loss by
9 averaging the percentage of water loss for each month. To my knowledge, this reporting
10 methodology had been used by the Company for Commission compliance reporting
11 purposes for a long time. But after reviewing my testimony, Staff informed me that they
12 wanted the Company to use a different quarterly water loss calculation, which I have now
13 done. Using this approach, I calculate that a first quarter water loss rises to 11.4%, but
14 the second quarter water loss drops to 7.8%, and the overall water loss for 2010 is 9.3%.
15
16 See Exhibit 1.

17
18 **Q-4 Please comment of Staff's position that the Company is still not in compliance**
19 **with Decision Nos. 67162 and 70837.**

20
21 **A-4** As you recall, Staff testified that the Company had not filed the Hook-Up Fee
22 Report and the Water Supply Shortage Plan Report. But as I testified previously, the
23 Company sent the Hook-Up Fee Report to the Commission Compliance Department on
24 October 27, 2009 and had it filed in Docket No. W-02105A-07-0510 on November 2,
25 2009, and Company sent the Water Supply Shortage Plan Report to the Commission
26 Compliance Department on October 27, 2009 and had it filed in Docket No. W-02105A-
27
28

1 07-0510 on October 29, 2009. Both of these filings were made before the permanent rate
2 case was filed.

3
4 On June 24, 2010, I received a phone call from Staff members Dorothy Hains and
5 Brian Bozzo who stated they believed one of the expenses listed in the Hook-Up Fee
6 Report was an unqualified expense. In response, I refunded the questioned \$250.00 to
7 the "offsite" savings account where the Hook-Up fees are kept. I informed the Staff of
8 this adjustment on June 28, 2010. *See Exhibit 2.* So I believe the Company is in
9 compliance regarding the Hook-up Fee Report matter. I also believe this puts the
10 Company in compliance with Decision No. 70837.
11
12

13 During our June 24 conversation, Staff also stated that they wanted more
14 information regarding how the Company will address the water supply shortage issue.
15 Staff stated they would contact me again by telephone on either July 7 or 8 to discuss
16 exactly what they wanted. I did not receive such a phone call, so on July 15, 2010, I
17 emailed Brian Bozzo a draft addendum to address some of the issues Staff mentioned
18 during the telephone conversation. Mr. Bozzo responded stating that Staff wants a few
19 small revisions to the addendum before it is filed. This addendum, which includes the
20 information requested by Staff, is set forth in Exhibit 3 and is being submitted to the
21 Compliance Section on July 16, 2010 as well.
22
23
24

25 I also want to mention that my contact with the Compliance Section is Carmel
26 Hood. While I don't recall the exact date, sometime around March or April I spoke with
27 Ms. Hood who informed me that the Company was in compliance. While the Company
28 has no problem submitting additional information requested by Staff, I believe the

1 Company has complied with the decisions mentioned above. Moreover, I could
2 understand why Staff might argue the new rates not go into effect if the Company had not
3 filed the reports, but after Staff realized that the reports were timely filed, and requesting
4 only minor corrections eight months after filing, I think Staff continuing to argue that the
5 Company should face severe financial consequences until this matter is resolved seems
6 unreasonable.
7
8

9 **Q-5 Do you agree with Staff's position that the proposed rates should be**
10 **conditions upon the Company demonstrating that its water loss is less than 10% for**
11 **a year.**
12

13 **A-5** No. This would put the Company in a position where it could not pay its bills and
14 leave the Company, which is a customer owned non-profit corporation, in a financial
15 position where it could not afford to upgrade plant and retain competent staff.
16

17 **Q-6 Do you agree with Staff's \$4,722 decrease to purchased power expense?**

18 **A-6** No. Penalizing the company with this adjustment seems unreasonable. Even
19 when major leaks occur, or when there are many small undetectable leaks occurring, the
20 Company must supply its customers with water and it must pay for the power needed to
21 pump the water. The water loss is being addressed, and levying a financial penalty would
22 not further the Company's ability to provide competent management and adequate
23 service to its customers.
24
25

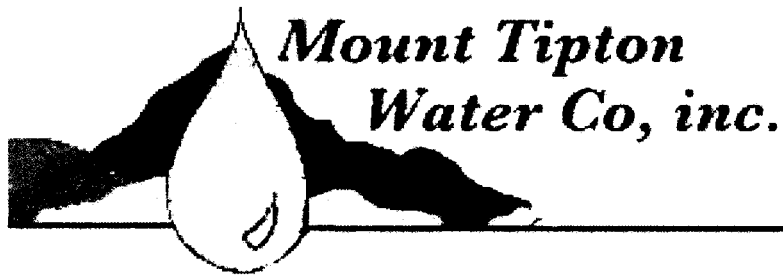
26 **Q-7 Does this conclude your testimony?**

27 **A-7** Yes.
28

EXHIBIT 1

Mt. Tipton Water Company Water Pumped and Sold 1st, 2nd, 3rd & 4th Quarters 2010 Docket No. W-20105A-03-0303 and Decision No. 67162						
Month	Gal. Sold	Gal. Pumped	Gal. Lost	% Mth Loss	% Qtrly Loss	% Yrly Lost
January	1,804,546	2,723,151	918,605	33.7%		
February	2,612,992	2,414,135	-198,857	-8.2%		696
March	2,319,944	2,368,844	48,900	2.1%		695
1st Qrt	6,737,482	7,506,130	768,648		11.4%	690
This quarter we had 3 line breaks, 25 blow offs and 14 over flows.						
We installed 17 new meters. Negative water loss in Feb. due to billing cycle being longer than the calendar month.						
April	2,895,816	2,910,970	15,154	1.0%		695
May	2,389,520	3,052,155	662,635	21.7%		692
June	3,512,630	3,516,856	4,226	0.1%		693
2 nd Qrt	8,797,966	9,479,981	682,015		7.8%	
We had an enormous line break in early May that was not discovered for at least half a day. There was 1 other small line break this quarter.						
We had 5 small overflows trying to regulate the tanks. There were 5 blow offs. We installed 34 new meters.						
				2010 running total=	9.30%	

EXHIBIT 2



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053

June 28th, 2010

Docket Control Center
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: Rate Increase Docket
W-02105A-09-0522

Hook-Up Fee Report (requested in Docket W-02105A-07-0510 Decision 70837)

It was brought to our attention on June 24th, 2010 by Brian Bozzo and Dorothy Hains of the ACC that the final Hook-Up fee report filed in October of 2009 listed an unqualified expense. It became clear that the test pumping of the Detrital well in November of 2008 did not qualify due to this not being an essential plant or growth item. The Detrital well is not connected to our water system and most likely, will never be. The attached spreadsheet has been adjusted to exclude this cost and \$250.00 has been refunded to the "Offsite" savings account where the Hook-Up fees are kept. We hope that this alteration will bring us into compliance on this item.

Please let me know if you require any changes or if there is ever any way that I may be more thorough.
Thank you.

Michelle Monzillo
Business Administrator
Mt. Tipton Water Co.

Requested in Decision 70837 Docket W-02105A-07-0510				Annual Hook-Up Report			2008	Rate Case	Docket	W-02105A-09-0522	
		Acct.#		Meter	Charge	Debit	Interest			Balance	
	Opening Balance									\$59.35	
1/1/2008	Cuauthemoc Cervantes	1297	16886 Lakeside Dr.	3/4	\$800.00					\$859.35	
1/1/2008	Cuauthemoc Cervantes	1298	Iron Dr Lot 302	3/4	\$800.00					\$1,659.35	
1/3/2008	Short Enterprises		Repair Well 9&2			\$1,000.00				\$659.35	
1/31/2008	Hoffman Repair		Spring Well Hookup			\$500.00				\$159.35	
	Balance 1st Quarter			Total	\$1,600.00	-\$1,500.00				\$159.35	
4/1/2008	Harold Adams	993	15697 Edgemont	3/4	\$800.00					\$959.35	
5/1/2008	Ronald Lusby	1304	8523 W. 6th St.	3/4	\$800.00					\$1,759.35	
5/1/2008	Hoffman Supply		Springwell Hookup Materials			\$1,500.00				\$259.35	
5/8/2008	Short Enterprises		Well Repair #1			\$1,000.00				-\$740.65	
6/1/2008	Emilio Liborio	1317	8061 W. 8th	3/4	\$800.00					\$59.35	
6/1/2008	Mark Nicholes	1027	15549 N. Gila	3/4	\$800.00					\$859.35	
6/1/2008	Cynthia Arnold	1318	14690 Cattle Dr.	3/4	\$800.00					\$1,659.35	
	Balance 2nd Quarter			Total	\$4,000.00	-\$2,500.00				\$1,659.35	
7/1/2008	Precision Pump		Transfer Pump for Well # 1			\$886.00				\$773.35	
7/1/2008	Prime Fabrications		Transfer Pump Materials			\$201.80				\$571.55	
7/3/2008	T&F Enterprises		Interconnect Pump			\$240.00				\$331.55	
7/8/2008	Precision Pump		Transfer Pump			\$1,684.00				-\$1,352.45	
8/1/2008	Joy McDonald	1324	17064 N. Longhorn	3/4	\$800.00					-\$552.45	
9/30/2008	Interest						1.09			-\$550.71	
	Balance 3rd Quarter			Total	\$801.09	-\$3,011.80				-\$550.71	
11/5/2008	Jessie Jaye trustee	1345	N/A #316-14-002	4-Mar	\$800.00					249.29	
11/5/2008	A-1 Well Service		Test Pumping of Detrital		**	disqualified expense				\$0.00	
	Balance 4th Quarter			Total	\$800.00					\$249.29	

EXHIBIT 3



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053
7-16-10

Addendum to Water Supply Shortage Plan for Mt. Tipton Water Company

A report was previously filed (attached) analyzing the historical water supply shortage which has plagued this company. However, a detailed plan for solving this problem was not included. This addendum includes the specific measures that we will take to ensure that there is not an issue with adequately supplying water in the future.

Step 1: Develop New Water Sources: Our experience cleaning some of the wells with the federal stimulus funds has showed us that developing new water sources is critical for the survival of the company. Two of our wells collapsed during cleaning. The wells that were successfully cleaned are producing approximately double the amount of water. We realized during this process that you can only "kick a dead horse back to life" so many times. Most of our wells are beyond or approaching their life expectancy. The only way to absolutely guarantee a stable water supply is to develop new water sources. Our new Office well is producing 140 gallons per minute consistently which alone is more than our entire upper system produced during the peak of summer last year. This new well was placed in service on July 9th, 2010. It is 806 feet deep, has a 40 horsepower pump in an 8 inch casing. Barring this new well needing repairs, we are able to supply all of our customers (and additional future customers) without any restrictions of any kind.

However, in order to be certain that this issue does not reappear at a later time, we plan to drill another new well, not replacement, in the next 3 to 5 years on the north side of our system. This area is at a higher elevation than the rest of the system. Additionally, the electrical cost associated with pumping this water uphill would be eliminated. Having two newer wells would ensure a more than adequate water supply for decades to come.

Step 2: Pressure Relief Valves (PRVs): Our system has been in need of a new PRV in a high-pressure area where many line breaks have occurred. This was originally scheduled for earlier this year; however, the necessity to drill a new well this spring put this project on hold. Now that the new well is completed, we will be installing this much needed PRV in the next few months as funds become available. This will reduce the number of line breaks and the water loss associated with them. Furthermore, the existing PRVs need to be maintained on a yearly basis to

ensure proper functioning. All of our PRVs have received maintenance since L. Tim. Clark became our Field Manager.

Step 3: Increased Storage Capacity: Now that we can produce a much larger amount of water, adding to our water storage would provide a cushion in the case of an emergency such as well failure or a lengthy power outage. We plan to add more storage in the next 3 to 5 years, possibly sooner if funding allows. When a new well is drilled in the upper area of our system, storage will certainly be necessary at that location. Additional storage in town would be beneficial as well and could be placed on existing company property.

Step 4: Replacing Old and Substandard Piping: Some areas of our system are well over 40 years old. The likelihood of pipes this age breaking is very high. Also, there are certain areas that have been identified as having thin-walled substandard pipe that never should have been allowed to be installed. As a matter of fact, the enormous line break we had in early May was this sort of pipe. We plan to begin replacing the pipes in the areas that are known to have problems due to age or materials. Additionally, the pipes need to be buried deeper in some areas due to the county road graders lowering the levels of the roads and causing line breaks. This will be an expensive, long, and arduous process. A project of this magnitude will certainly require taking out a loan and a significant amount of pre-planning. This needs to be investigated in detail to determine factors such as cost and how to limit the disruptions to our customers' water service during this process.

Step 5: Obtaining Equipment: Due to our lack of a backhoe, bobcat, or vacuum truck that would assist in repairing leaks, pipes, and line breaks, there is sometimes a delay in being able to make repairs which can result in water loss and customer outages. We have been very fortunate to have a very generous director, Rocky Bottorff, that has volunteered his time and backhoe on many occasions. However, in the long run, having our own equipment would increase the response time, efficiency, cost, and could reduce the amount of time that customers may have their water off during a repair. Buying our own equipment has been high on our list of priorities for some time now, but the funds have never been available. However, this does need to happen as soon as possible and most definitely before we begin replacing pipes.

Mt. Tipton Water Company has made many improvements in the last couple of years that have resulted in less water loss and a higher production of water. We have not had any water restrictions on our metered customers for an all time record period of 2 years! Yet there are still improvements to be made to guarantee an adequate amount of water in the future. We are setting forth this plan and believe that it is feasible to make our water system completely stable within the next 5 years.

Respectfully submitted by:

Michelle Monzillo
Business Administrator

WATER USE DATA SHEET

NAME OF COMPANY	Mt. Tipton Water Co.
ADEQ Public Water System No.	08-059

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED	GALLONS PURCHASED
Jan. 2010	696	1,805	2,723	N/A
Feb. 2010	695	2,613	2,414	
Mar. 2010	690	2,320	2,369	
Apr. 2010	695	2,896	2,911	
May 2010	692	2,390	3,052	
June 2010	693	3,513	3,517	
July 2010	?	?	2,122*	

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
50,000	2	SS-911950	140
55,000	1	SS-508835	33.3
200,000	1	SS-520733	18
70,000	1	SS-502441	180
80,000	1	SS-510178	48
25,000	1	SS-601846	0-DOWN
10,000	3	SS-601847	33
8,500	2	SS-601848	16
		SS-601849	0-NEEDS NEW PUMP

Other Water Sources in Gallons per Minute	GPM	N/A
Fire Hydrants on System	(Yes) No	
Total Water Pumped Last 13 Months (Gallons in Thousands)		19,108 *

* through 7-16-10

* Please note that well production does vary depending on hours used, time of year; etc.

WATER USE DATA SHEET

NAME OF COMPANY	Mt. Tipton Water Co.
ADEQ Public Water System No.	08-059

[illegible]

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
		SS-606511	0-DOWN
		SS-508835	0-BEING CLEANED
		SS-520733	12
		SS-502441	180
		SS-510178	48
		SS-601846	0-DOWN
		SS-601847	30
		SS-601848	16
		SS-601849	1,100 gallons/cycle
Other Water Sources in Gallons per Minute —————→			GPM
Fire Hydrants on System —————→			Yes No
Total Water Pumped Last 13 Months (Gallons in Thousands) —————→			

* well production information as of 1/1/2010.